

Message Text

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21

ACTION NEA-09

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

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FM AMEMBASSY TRIPOLI

TO SECSTATE WASHDC 2077

C O N F I D E N T I A L TRIPOLI 0320

E.O. 11652: GDS

TAGS: EALR, ENRG, LY

SUBJECT: MOBIL LIBYA UNDER LARG PRESSURE TO INCREASE OUTPUT

1. WHILE LIBYA HAS CONSISTENTLY LED OPEC NATIONS IN REDUCTION CRUDE OIL PRODUCTION OVER PAST TWO YEARS, NO OPERATING COMPANY IN LIBYA HAS HAD GREATER PRODUCTION DROP THAN MOBIL OF LIBYA. COMPANY, WHICH WAS PRODUCING EXCESS 150 TBPD DURING MOST 1973, HAS IN RECENT MONTHS AVERAGED 60-70 TBPD, DURING FEBRUARY DROPPED TO 33 TBPD AND IS, ACCORDING TO SEVERAL COMPANY SOURCES, IN MARCH PRODUCING "SIGNIFICANTLY LESS THAN THAT".

2. MOBIL'S AMNA FIELD HAS ORDINARILY HAD HIGHEST CRUDE PRODUCTION COSTS AND HAS HAD ONE OF MOST DIFFICULT CRUDES TO SELL BECAUSE OF QUALITY OF OIL. THESE PROBLEMS HAVE BEEN COMPOUNDED AS INTERNATIONAL OIL DEMAND HAS SLUMPED AND MARGINS HAVE NARROWED.

3. ALL MOBIL OFFICIALS WITH WHOM WE HAVE SPOKEN ASSURE US THAT MOBIL IS LOSING MONEY ON EACH BARREL
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OF OIL PRODUCED IN LIBYA, BUT THEY ARE CONTINUING

LIMITED PRODUCTION BECAUSE THEY HAVE "LONG RANGE INTERESTS IN THIS COUNTRY".

4. ACCORDING SAME OFFICIALS, LIBYAN MINPETROLEUM HAS TOLD THEM THAT IF PRODUCTION IS NOT IMMEDIATELY AND SIGNIFICANTLY INCREASED, MOBIL OPERATION IN LIBYA WILL BE SUSPENDED. THIS THREAT WOULD MEAN EVEN BIGGER LOSSES FOR MOBIL HERE BECAUSE FIXED COSTS WOULD REMAIN CONSTANT AND INCOME WOULD BE REDUCED TO ZERO. LIBYAN STRATEGY THEREFORE IS TO PRESS MOBIL TO INCREASE PRODUCTION.

5. MOBIL SPOKESMEN ARE CONTINUING NEGOTIATE FOR LOWER OFFTAKE COSTS (CHIEFLY THROUGH LOWER TAXES OR BUY-BACK PRICES) AND HAVE ASSURED LIBYANS THAT, IF THEY CAN OBTAIN LOWER PRICED OIL, THEY WILL INCREASE PRODUCTION.
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